

# 1st MONDAY 3rd MONDAY

Prepared for employees by the  
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March 16, 1981

To all Milwaukee Road Employees:

As you may recall, the Milwaukee Railroad Restructuring Act -- which was passed by Congress in November 1979 -- contained a provision which allowed Milwaukee's management and official representatives of the Milwaukee's employees to negotiate an Employee Protection Agreement. The Act provided loan guarantees for the Milwaukee of up to \$75 million under the Railroad Revitalization and Regulatory Reform Act of 1976 for an employee protection plan.

The agreement that was negotiated under this umbrella between labor and management contained an April 1, 1981, deadline for election of separation allowances and other benefits by affected employees. Because certain employees still on the payroll may be affected after April 1, Trustee Ogilvie is negotiating with representatives of organized labor to extend the deadline.

Without this extension, employees affected by restructuring transactions would only be entitled contractual or New York Dock (Oregon Short Line) claims. Such contractual and New York claims cannot be paid at the time the employee is affected; instead, the employee must wait the lengthy and uncertain outcome of the reorganization proceeding and litigation which might ensue.

Before the extension can go into effect, it must be approved by the Reorganization Court and signed by representatives of organized labor. The proposed extension does not affect the July 1, 1981, payment of the 25 percent of separation allowances which has been held back.

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Discussions are currently being held on the subject of the continuation of Davenport, Rock Island and North Western Railway operations of Rock Island properties in the Quad Cities area. The DRI&NW Railway, which is owned equally by the Milwaukee and the Burlington Northern, has been serving certain embargoed stations by authority of the Interstate Commerce Commission.

It is proposed that the DRI-Line stop all operations over the Rock Island west of the Mississippi River by March 31. The Milwaukee Road will apply for authority to provide temporary service to those stations west of the river previously served by the DRI-Line Service Order. To encourage a satisfactory resolution, we agreed that during the period of temporary service, the Milwaukee would

maintain reciprocal switching within the Davenport switching district on the same basis as was provided by the Rock Island, subject to increasing the switching rates in any situation where such rates were non-compensatory.

Service to Rock Island properties east of the river would be continued to June 30. Efforts are being made to work out arrangements to provide switching services with the shippers involved. The Burlington Northern and we agreed that we could not invest in the properties on the east side of the river; however, if a third party, such as a development group, were to acquire the Milan branch, for example, the DRI-Line would be willing to discuss the continuation of service to shippers in that area.

We are attempting to arrange a meeting with Rock Island personnel as soon as possible in order to resolve the question of the rental due the Rock Island.

We are hopeful that arrangements may be made promptly to terminate the DRI-Line Service Order on the west side of the river and institute a Milwaukee Service Order for that area effective April 1.

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The Reorganization Court has approved Trustee Ogilvie's proposal to invite tender offers from holders of certain secured debt in order to retire obligations of approximately \$122 million. An application is pending Interstate Commerce Commission approval. A joint initial statement of Chicago Milwaukee Corporation and the Railroad's corporate shell was submitted to the ICC last week stating:

"This Joint Initial Statement is submitted on behalf of Chicago Milwaukee Corporation ('CMC') and Chicago, Milwaukee, St. Paul and Pacific Railroad Company (the 'Debtor'). CMC is a publicly held corporation, whose shares are listed on the New York Stock Exchange, having approximately 7,000 shareholders. CMC owns 96% of the outstanding shares of the Debtor. The balance of the Debtor's shares are publicly held and traded on the over-the-counter market.

"CMC and the Debtor do not oppose the transaction outlined in 'Application of the Trustee for Approval of Proposed Tender Offers for First Mortgage, General Mortgage and Terre Haute Bonds of Debtor', dated 12 February 1981, in their present form. However, they reserve the right to oppose any Tender Offer which contains terms and conditions materially different from those set forth in the referenced application."

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Trustee Ogilvie has expressed his profound concern with the slow pace of negotiations between our Company and the C&NW concerning embargoed Milwaukee Lines in Iowa and other states.

Since the commencement of our embargo in March 1980, the North Western and other railroads have been operating various Milwaukee Lines in this territory. The North Western, however, is one of only three railroads that have yet to reach agreement on the level of rental payments or to identify the lines eventually to be purchased. To date, the only completed agreement involves North Western's use and purchase of the short segment between Marathon and Albert City, Iowa.

Despite our urgent attempts to negotiate lease and purchase of the other lines being operated by North Western, we have been unable to satisfactorily conclude the negotiations. The Trustee was disappointed to learn, for example, that at the most recent meeting between our representatives, the North Western representatives were still at the point where they were requesting maps and track charts of the properties which they have operated for more than a year. They are still unsure which additional properties, if any, they will purchase. Considering his responsibilities with respect to disposition of unneeded properties, he cannot allow the negotiations, such as they are, to continue their snail-like pace.

C&NW Officers have been informed that later this month the Trustee will sign a track marketing agreement providing for the take-up and marketing of rail and other track materials located throughout our non-core territory. Unless substantial progress is made in the negotiations between our companies, all of the lines being operated by North Western shall be included in that marketing contract.

Of major concern is continued service to regular users of these lines. In order to allow them time to arrange alternative transportation, the Trustee has made them aware of the difficulties we are experiencing in this matter. Also, on March 13, representatives of the Trustee and C&NW met with ICC officials in Washington to discuss the matter. C&NW's representatives explained that before it can reach a decision on line purchases, C&NW must have shipper commitments on acquisition financing and volume of traffic. The Trustee has stated that as with all abandonments connected with the Milwaukee Road Reorganization, we regret having to take any step that terminates rail service at any location. Unfortunately, the C&NW's position, as one of the few railroads that has failed to reach agreement with us, leaves us no alternative. If for no other reason than out of consideration for the many affected businesses, he strongly urges that the carrier engage in earnest negotiations at the earliest possible time.



W. L. Smith  
President